

# **Attachment 15**

## **HUD Calculations for Annual and Adjusted Income**

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**INCOME INCLUSIONS AND EXCLUSIONS  
(EXCERPT FROM THE FEDERAL REGISTER)**

**INCOME INCLUSIONS**

- (1). The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
- (2). The net income from operation of a business or professions. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the Family;
- (3). Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the Family. Where the Family has Net Family Assets in excess of \$5,000. Annual income shall include the greater of the actual income derived from Net Assets or a percentage of the value of such Assets based on the current passbook savings rate, as determined by HUD.
- (4). The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment;
- (5). Payments in lieu of earnings, such as unemployment, worker's compensation and severance pay (but see paragraph (3) under income Exclusions);
- (6). Welfare Assistance. If the Welfare Assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the Welfare Assistance agency in accordance with the actual cost of shelter and utilities, the amount of Welfare Assistance income to be included as income shall consist of:
  - (i) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
  - (ii) The maximum amount that the Welfare Assistance agency could in fact allow the Family for shelter and utilities if the Family's Welfare Assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage;
- (7). Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;

- (8). All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the Family, spouse, or other persons whose dependents are residing in the unit (but see paragraph (7) under income Exclusions);
- (9). Any earned income tax credit to the extent it exceeds income tax liability

### INCOME EXCLUSIONS

- (1). Income from employment of children (including foster children) under the age of 18 years;
- (2). Payments received for the care of foster children.
- (3). Lump-sum additions to Family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (but see paragraph (5) of income inclusion);
- (4). Amounts received by the Family that are specifically for, or in reimbursement of, the cost of Medical Expenses for any Family member;
- (5). Income of a live-in aide;
- (6). Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the Government to a veteran, for use in meeting the costs of tuition, fees, books, equipment, materials, supplies, transportation, and miscellaneous personal expenses of the student. Any amounts of such scholarships or payments to a veteran not used for the above purposes that is available for subsistence are to be included in income;
- (7). The special pay to a Family member serving the Armed Forces who is exposed to hostile fire;
- (8).
  - (i). Amount received under training programs funded by HUD;
  - (ii). Amounts received by a Disabled person that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS); or
  - (iii). Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
- (9). Temporary, nonrecurring or sporadic income (including gifts); or
- (10). Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the 1937 Act. The following is a list of types of income that qualify for that exclusion:
  - (i). Relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (43 U.S.C. 4636); Note: this conflicts with URA regulations but has not been changed in Part 813.
  - (ii). The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017 (b));

- (iii). Payments to volunteers under the Domestic Volunteer Service Act of 1973 (42 U.S.A.C. 5044 (g), 5058);
- (iv). Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626 (a));
- (v). Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 259e);
- (vi). Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624 (f));
- (vii). Payments received under programs funded in whole or in part under the Job Training Partnership Act; (49 U.S.C. 1552(b));
- (viii). Income derived from the disposition of funds of the Grand River Band or Ottawa Indians (Pub. L 94-540 90 Stat. 2503.2504).
- (ix). The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims commission or the Court of Claims (25 U.S.C. 1407-1408) or from funds held in trust for an Indian tribe by the Secretary of interior (25 U.S.C. 117);
- (x). Amounts of scholarships funded under Title IV of the Higher Education Act of 1965 including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs, that are made available to cover the costs of tuition fees, books, equipment, materials, supplies, transportation, and miscellaneous personal expenses of a student at an educational institution (20 U.S.C. 1087 uu); and
- (xi). Payments received from programs funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056 (f)).

## CALCULATING ANNUAL AND ADJUSTED INCOME

☐ HOME uses the same definitions of income as the Section 8 Housing Programs. The Section 8 definitions are found in 24 CFR Part 813.

☐ Annual Income is compared to the published Section 8 Income Limits to determine eligibility for assistance.

- Annual the gross amount of income anticipated to be received by all adults in a family during the 12 months following the effective date of the determination.
- HUD rules provide a detailed list of income to be included and excluded. (See page 7-21). Income from assets must be taken into account in determining annual income. (See page 7-24).

☐ Adjusted Income is used to determined the amount of rent the family will pay and the amount of subsidy that will be provided. Adjusted income is calculated by deducting from annual income the following allowances:

- \$480 for each dependent (includes any of the following family members who are not the head of spouse: persons under 18; handicapped/disabled family members; or full-time students).
- Reasonable child care expenses (for children 12 and under) that enable a family member to work or go-to school, if no adult is available in the household to provide child care.
- Some expenses for the apparatus and care of a handicapped or disabled family member that enable that person or another person to work.
- \$400 per elderly household (head or spouse is 62 or older or handicapped or disabled).
- For elderly households only, some medical expenses.
- For a detailed discussion of calculating annual and adjusted income see HUD Handbook 4350.3 Occupancy Requirements for HUD Subsidized Multifamily Housing. (Note: This handbook is currently more up-to-date than HUD's 7420.7 Handbook which covers PHA administration of Section 8 programs.)

☐ Verification of Income

- Although HOME embraces the Section 8 definitions of income, the HOME rules do not require PJs to verify income in the same way specified in the Section 8 Handbooks.
- Each PJ is expected to develop procedures for accurately collecting and evaluating income to assure that tenants meet the HOME program rules.

## SUMMARY OF ASSET INCLUSIONS AND EXCLUSIONS

A. ASSETS INCLUDE:	B. ASSETS DO NOT INCLUDE:
<ol style="list-style-type: none"> <li>1. Amounts in savings and checking accounts.</li> <li>2. Stocks, bonds, savings certificates, money market funds and other investment accounts.</li> <li>3. Equity in real property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset.</li> <li>4. The cash value of trusts that are available to the household.</li> <li>5. IRA, Keogh and similar retirement savings accounts, even though withdrawal would result in a penalty.</li> <li>6. Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment.</li> <li>7. Assets which, although owned by more than one person, allow unrestricted access by the applicant.</li> <li>8. Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims.</li> <li>9. Personal property held as an investment such as gems, jewelry, coin collections antique cars, etc.</li> <li>10. Cash value of life insurance policies.</li> <li>11. Assets disposed of for less than fair market value during two years preceding certification or recertification.</li> </ol>	<ol style="list-style-type: none"> <li>1. Necessary personal property, except as noted in A.9.</li> <li>2. Interest in Indian trust lands.</li> <li>3. Assets that are a part of an active business or farming operation.</li> </ol> <p><b>Note:</b> Rental properties are considered personal assets held as an investment rather than business assets unless real estate is the applicant's/tenant's main occupation.</p> <ol style="list-style-type: none"> <li>4. Assets not accessible to the family and which provide no income for the family.</li> <li>5. Vehicles especially equipped for the handicapped.</li> <li>6. Equity in owner-occupied cooperatives and manufactured homes in which the family lives.</li> </ol> <p><b>NOTE: PHA's must count as <u>income</u></b></p> <ol style="list-style-type: none"> <li>1. Actual income from assets if total assets are \$5,000 or less;</li> <li>2. If assets are more than \$5,000 the greater of               <ul style="list-style-type: none"> <li>➤ actual income from assets, or</li> <li>➤ total assets x passbook rate</li> </ul> </li> </ol>



# EXHIBIT 7-3

## SUGGESTIONS FOR CALCULATING GROSS ANNUAL INCOME

Source of Income	Guidance for Calculations
Earned Income	<p>Use current circumstances to anticipate future earnings.</p> <p>Include all family members over age 18, including income of a temporarily absent spouse or other usual family member.</p> <p>Make sure to use annual figures. If wages are paid hourly, assume 2080 hours for full time employment.</p>
Income from Assets (interest earning bank accounts, stock and bonds, CDs, IRAs, Keogh accounts, etc.)	If under \$5,000 use the actual income. If over \$5,000 use the greater of the actual or the imputed income based on the passbook rate established by HUD. Assets disposed of for less than fair market value are counted for two years.
Contributions and gifts	Include as income if contributions are made on a regular basis.
Alimony and child support	Include if the support is actually being provided.
Income from a business	Generally, this is gross income less expenses.
Earned Income tax credits	Count as income any excess in tax credit over a tax liability. The amount of tax credit can be found on an IRS return or from an employer.
Insurance settlements, inheritances proceeds from sale of property and other lump sum payments	Generally, these are assets and not income.
Income from welfare assistance	Count the basic welfare grant, and in states with separate "welfare rents", the maximum allowed for shelter and utilities.
Periodic payments, Such as social security, pensions, etc.	Make sure to calculate the annual value of periodic payments. Lumps sum payments are treated as assets.